

**Snyder, Kate**

**From:** Schneiter, Ellen  
**Sent:** Tuesday, July 06, 2010 10:09 AM  
**To:** aprilf@maine.rr.com  
**Cc:** Ferguson, Scott; Garland, Denise; Lopatosky, Dawna; Durneny, Amy G  
**Subject:** Curtailment

Neale –

As you are undoubtedly aware, Congress failed to enact an extension of the enhanced Medicaid matching rate made available to the state under the terms of the ARRA. The supplemental budget enacted earlier this year booked \$85 million in General Fund savings associated with the anticipated extension of the enhanced match and included a contingency plan that would be triggered on July 1<sup>st</sup> by Congressional inaction. The budget language in Part OOOO of chapter 571 directs the Governor to begin the process of developing a plan to curtail allotments pursuant to 5 MRSA section 1668, with a curtailment taking effect no later than October 1, 2010, in order to distribute the unrealized ARRA “savings” statewide.

Importantly, the total shortfall associated with the lack of an extension of enhanced match is approximately \$100 million. Maine’s underlying federal Medicaid match rate is scheduled to decline on October 1<sup>st</sup> of this year. Because of the hold harmless provisions of the ARRA, however, the Recovery rate will remain in effect through December 31, 2010. On January 1<sup>st</sup>, however, the regular, non-ARRA federal share will fall, so we will not only be “losing” the layered-on enhanced match, but our “regular” match rate will result in the state having to fund a greater proportion of MaineCare costs. We did not budget for this change in the underlying rate because all indications were that Congress would, in fact, enact an extension. With the failure to enact, we must now not only fund the \$85 million cited above, but an additional \$15 million associated with the decline in the underlying rate.

Toward that end, we have developed curtailment targets for each agency and program receiving General Fund appropriations. These targets have been developed in the same way as they have been in the past, with each agency receiving a proportional share of the \$100 million overall target.

The target for your agency is \$400,100.

Curtailment proposals along with supplemental budget proposals and your biennial budget submissions will all be due to the Budget Office on or before September 1, 2010; you will be receiving instructions for the curtailment and the supplemental budget shortly. We’ve learned over the years that it is best to consider the curtailment proposals in the larger context of the supplemental budget – which is why the deadline is the same for all submissions.

We will continue to watch the revenue picture closely and work with our delegation and others to encourage Congress to enact the extension of the enhanced match rate, but we must prepare for the worst case scenario, as the budget language requires.

If you have questions or concerns, please don’t hesitate to call or email.

Ellen

7/27/2010